

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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R 161725Z OCT 75

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 5207

INFO AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

AMCONSUL ANTWERP

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E.O. 11652: N/A

TAGS: ECON, BE

SUBJECT: GOVERNMENT PRESENTS ECONOMIC RECOVERY PLAN TO
PARLIAMENT; INDEXATION IMPASSE CONTINUES

REF: (A) BRUSSELS 8650

(B) BRUSSELS 8949 (NOTAL)

1. OPENING OF BELGIAN PARLIAMENT THIS WEEK HAS NOT SIGNALLED ANY CHANGE IN IMPASSE OVER CONTROVERSIAL INCOMES SECTION OF GOVERNMENT RECOVERY PLAN. BUSINESS AND LABOR REPRESENTATIVES HAVE BEEN MEETING FREQUENTLY SINCE BEGINNING OF OCTOBER BUT HAVE MADE LITTLE PROGRESS TOWARD COMPROMISE AGREEMENT. UNIONS CONTINUE ADAMANT THAT WAGE LINKAGE TO PRICE INDEX NOT BE ALTERED, EVEN TEMPORARILY.

2. TINDEMANS INTRODUCED PLAN, MINUS INCOMES SECTION, TO FULL HOUSE AND SENATE ON OCTOBER 15, IN EXHORTATORY SPEECH SHORT ON SPECIFICS. HE POINTED OUT THAT BELGIUM'S CURRENT 11 PERCENT ANNUAL INFLATION RATE STEADILY ERODING ITS INTERNATIONAL COMPETITIVENESS VIS-A-VIS EC NEIGHBORS. THERE-
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FORE, REVIVAL IN INDUSTRIALIZED WORLD, WHEN IT COMES, COULD

LEAVE EXPORT-ORIENTED BELGIUM BEHIND. TINDEMANS TERMED THIS PROSPECT "TRULY ALARMING", AND APPEALED TO ALL ECONOMIC SECTORS (READ LABOR) TO ALLOW GOVERNMENT TO PROCEED WITH INCOME MEASURES IT HAS PROPOSED. AS FOR BALANCE OF PLAN, HE SKETCHED MAIN LINES AS REPORTED REFTEL A. HE ALSO CONFIRMED THAT REFORMED PRICE INDEX WILL BE INTRODUCED BEGINNING OF 1976, AND THAT BELGIAN EXPORTS WILL BENEFIT FROM INCREASED INSURANCE COVERAGE. DEFENDING LACK OF NEW MEASURES TO STIMULATE PRIVATE INVESTMENT, TINDEMANS HELD THAT THEY WOULD BE INEFFECTIVE IN VIEW OF CURRENT LOW BUSINESS CONFIDENCE AND EXCESS PLANT CAPACITY. INTEREST RATES AND SOCIAL SECURITY CHARGES WILL BE LOWERED SOMEWHAT FOR EXISTING PLANTS SHORT OF OPERATING CAPITAL, HOWEVER.

3. COMMENT: PRIME MINISTER HINTED AT SEVERAL POINTS IN HIS SPEECH THAT, IF LABOR CONTINUES INTRANSIGENT, HE MIGHT INTRODUCE INDEXATION REFORM AND OTHER INCOME MEASURES DIRECTLY TO PARLIAMENT WITHOUT UNIONS' BLESSING. THIS IS NO DOUBT A BLUFF, GIVEN HIS THIN MAJORITY, BUT GOVERNMENT IS CALLING FOR VOTE OF CONFIDENCE ON PLAN (WITH OR WITHOUT INCOMES SECTION), PROBABLY ON OCTOBER 23. PRIMARY PURPOSE OF SPEECH WAS TO RALLY PUBLIC OPINION AND THUS APPLY ADDITIONAL PRESSURE ON UNIONS TO ACCEDE TO SOME FORM OF PRACTICAL LIMITATION ON WAGES. FIRESTONE

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